

TOWNSHIP OF HANCOCK
~~OSHTON~~ COUNTY, MICHIGAN
Houghton
REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

Auditing Procedures Report

[Reset Form](#)[Email](#)

Issued under Public Act 2 of 1968, as amended.

Unit Name	Hancock Township	County	HOUGHTON	Type	TOWNSHIP	MuniCode	
Opinion Date-Use Calendar	June 11, 2008	Audit Submitted-Use Calendar	June 28, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18. Are there reported deficiencies?
<input type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text" value="\$52,851"/>
General Fund Expenditure:	<input type="text" value="\$50,647"/>
Major Fund Deficit Amount:	<input type="text"/>

General Fund Balance:	<input type="text" value="\$78,635"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Barry	Last Name	Gaudette	Ten Digit License Number	1101011050				
CPA Street Address	3994 Sherwood Forest Dr	City	Traverse City	State	MI	Zip Code	49686	Telephone	946-8930
CPA Firm Name	Barry E. Gaudette, CPA, PC	Unit's Street Address	731 S. Garfield Ave.	City	Traverse City	LU Zip	49686		

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
List of Elected Officials	1
FINANCIAL SECTION	
Independent Auditor's Report	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet - Governmental Funds	6
Reconciliation of the Governmental Funds	
Balance Sheet With the Statement of Net Assets	7
Statement of Revenues, Expenditures, and	
Changes in Fund Balances - Governmental	
Funds	8-9
Reconciliation of the Statement of Revenues,	
Expenditures, and Changes in Fund Balances	
of Governmental Funds To the Statement of	
Activities	10
Statement of Fiduciary Net Assets -	
Fiduciary Funds	11
Statement of Changes in Fiduciary Net Assets -	
Fiduciary Funds	12
Notes to financial statements	13-22
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes	
in Fund Balances - Budget and Actual -	
General Fund	23-25
Refuse Collection Fund	26
Fire	27
Cemetery	28
COMMENTS AND RECOMMENDATIONS	29

INTRODUCTORY SECTION

TOWNSHIP OF HANCOCK
LIST OF ELECTED OFFICIALS
MARCH 31, 2008

ELECTED OFFICIALS

Paul A. Kemppainen	Supervisor
Richard Hauswirth	Clerk
Richard P. Richards	Treasurer
Paul E. Moilanen	Trustee
Kenneth Moyle	Trustee

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Township Board
Township of Hancock
Hancock County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Hancock, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Hancock, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Hancock, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Township of Hancock
Independent Auditors' Report
Page Two

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Hancock, Michigan's basic financial statements. The statements of revenues, expenditures, and changes in fund balance - budget and actual have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bary E. Landell, CPA, PC

June 11, 2008

BASIC FINANCIAL STATEMENTS

Township of Hancock
Government-Wide Financial Statements
Statement of Net Assets
March 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash in bank	\$ 116,258
Receivables	2,825
Prepaid expenses	4,614
Due from other funds	2,886
Capital assets (net of accumulated depreciation):	
Land and improvements	5,500
Buildings and improvements	23,520
Equipment	<u>48,716</u>
Total assets	<u>204,319</u>
LIABILITIES	
Accounts payable	2,477
Accrued payroll taxes	<u>769</u>
Total liabilities	<u>3,246</u>
NET ASSETS	
Invested in capital assets, net of related debt	77,736
Unrestricted	<u>123,337</u>
Total net assets	<u><u>\$ 201,073</u></u>

See notes to financial statements

Township of Hancock
Government-Wide Financial Statements
Statement of Activities
For the Year Ended March 31, 2008

Functions /Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Legislative General	\$ 12,702	\$	\$	\$
Government	39,172	795		
Public safety	12,814	12,596		
Public works	15,402		762	
Other	1,581			
Interest on long-term debt	<u>291</u>	<u></u>	<u></u>	<u></u>
Total governmental activities	<u>\$ 81,962</u>	<u>\$ 13,391</u>	<u>\$ 762</u>	<u>\$</u>

General revenues:

Property taxes & administrative fees
State revenue sharing
Interest earnings
Miscellaneous
Sale of cemetery lots
Refunds

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net (Expense)
Revenue and
Changes in
Net Assets

Governmental
Activities

\$ (12,702)

(38,377)

(218)

(14,640)

(1,581)

(291)

(67,809)

43,638

28,071

1,961

165

1,075

363

75,273

7,464

193,609

\$ 201,073

Township of Hancock
Balance Sheet
Governmental Funds
March 31, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Refuse Collection</u>	<u>Fire</u>
ASSETS				
Cash in bank	\$ 71,556	\$	\$ 12,344	\$30,673
Receivables-taxes	2,825			
Prepaid expenses	4,614			
Due from other funds	<u>2,886</u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 81,881</u>	<u>\$</u>	<u>\$ 12,344</u>	<u>\$30,673</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,477	\$	\$	\$
Accrued payroll taxes	<u>769</u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>3,246</u>	<u> </u>	<u> </u>	<u> </u>
Fund balances:				
Unreserved, reported in:				
General fund	78,635			
Refuse collection			12,344	
Fire				30,673
Cemetery	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>78,635</u>	<u> </u>	<u>12,344</u>	<u>30,673</u>
Total Liabilities and Fund Balances	<u>\$ 81,881</u>	<u>\$</u>	<u>\$ 12,344</u>	<u>\$30,673</u>

See notes to financial statements

<u>Cemetery</u>	<u>Total Governmental Funds</u>
\$ 1,685	\$ 116,258
	2,825
	4,614
<u> </u>	<u>2,886</u>
<u>\$ 1,685</u>	<u>\$ 126,583</u>

\$	\$ 2,477
<u> </u>	<u>769</u>
<u> </u>	<u>3,246</u>

	78,635
	12,344
	30,673
<u>1,685</u>	<u>1,685</u>
<u>1,685</u>	<u>123,337</u>
<u>\$ 1,685</u>	<u>\$ 126,583</u>

Township of Hancock
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
March 31, 2008

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 123,337
---	------------

Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds:

Cost of capital assets	144,403
Accumulated depreciation	<u>(66,667)</u>

Total Net Assets - Governmental Activities	<u>\$ 201,073</u>
--	-------------------

See notes to financial statements

Township of Hancock
Statement of Revenues, Expenditures, and Changes
in Fund Balance
Governmental Funds
For the Year Ended March 31, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Refuse Collection</u>	<u>Fire</u>
REVENUES				
Tax revenues:				
Taxes & adm. fees \$	21,972	\$	\$	\$ 21,666
Intergovernmental revenue from state:				
State revenue sharing	28,071			
Annual maintenance fee	762			
Charges for services:				
Land division fees	100			
Burial fees				
Interest and rents:				
Interest earnings	1,463		138	336
Rents	120			
Other revenue:				
Miscellaneous				165
Special assessments			12,596	
Sale of cemetery lots				
All other refunds	<u>363</u>			
Total revenues	<u>52,851</u>		<u>12,734</u>	<u>22,167</u>
EXPENDITURES				
Current:				
Legislative	12,702			
General government	36,364			
Public safety				7,906
Public works			15,402	
Other	1,581			
Debt service:				
Principal		12,054		
Interest		<u>291</u>		
Total expenditures	<u>50,647</u>	<u>12,345</u>	<u>15,402</u>	<u>7,906</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,204</u>	<u>(12,345)</u>	<u>(2,668)</u>	<u>14,261</u>

<u>Cemetery</u>	<u>Total Governmental Funds</u>
\$	\$ 43,638
	28,071
	762
	100
575	575
24	1,961
	120
	165
	12,596
1,075	1,075
<u> </u>	<u>363</u>
<u>1,674</u>	<u>89,426</u>
	12,702
1,521	37,885
	7,906
	15,402
	1,581
	12,054
<u> </u>	<u>291</u>
<u>1,521</u>	<u>87,821</u>
<u>153</u>	<u>1,605</u>

Township of Hancock
Statement of Revenues, Expenditures, and Changes
in Fund Balance
Governmental Funds
For the Year Ended March 31, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Refuse Collection</u>	<u>Fire</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,204</u>	<u>(12,345)</u>	<u>(2,668)</u>	<u>14,261</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		12,345		
Transfers (out)				<u>(12,345)</u>
Total other financing sources (uses)		<u>12,345</u>		<u>(12,345)</u>
Net changes in fund balances	2,204		(2,668)	1,916
Fund balances - beginning	<u>76,431</u>		<u>15,012</u>	<u>9,614</u>
Fund balances - ending	<u>\$ 78,635</u>	<u>\$</u>	<u>\$ 12,344</u>	<u>\$ 11,530</u>

See notes to financial statements

<u>Cemetery</u>	<u>Total Governmental Funds</u>
<u>153</u>	<u>1,605</u>
	12,345
	(12,345)
153	1,605
<u>1,533</u>	<u>102,590</u>
<u>1,686</u>	<u>\$ 104,195</u>

Township of Hancock
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended March 31, 2008

Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balances - total governmental funds	\$ 1,605
---	----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. There were no capital outlays and depreciation was \$6,195.	(6,195)
--	----------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long- term debt and related items.	<u>12,054</u>
---	---------------

Change in net assets of governmental activities	<u>\$ 7,464</u>
---	-----------------

See notes to financial statements

Township of Hancock
Statement of Fiduciary Funds
Fiduciary Funds
March 31, 2008

	<u>Tax Collection Fund</u>
ASSETS	
Cash-checking	\$ 147
Cash-savings (account A)	671
Cash-savings (account B)	<u>2,068</u>
Total assets	<u>2,886</u>
 LIABILITIES	
Due to other funds	<u>2,886</u>
 NET ASSETS	
Held in trust for other purposes	<u>\$</u>

See notes to financial statements

Township of Hancock
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended March 31, 2008

	<u>Tax Collection Fund</u>
ADDITIONS	
Property tax collections,	
special assessments and fees	\$ 632,125
Interest	<u>219</u>
Total additions	<u>632,344</u>
DEDUCTIONS	
Payments to general fund	21,972
Payments to refuse fund	12,596
Payments to fire fund	21,666
Payments to other governmental units	<u>576,110</u>
Total deductions	<u>632,344</u>
Changes in net assets	
Net assets - beginning	<u> </u>
Net assets - ending	<u>\$ <u> </u></u>

See notes to financial statements

Township of Hancock
Notes to the Financial Statements
March 31, 2008

I. Summary of significant accounting policies

The financial statements of the Township of Hancock (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

A. Reporting entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-wide financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

I. Summary of significant accounting policies (Continued)

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Houghton County, which advances the Township 100% for the delinquent taxes.

The 2007 real taxable valuation of the Township totaled \$15,270,733, on which ad valorem taxes levied consisted of 1.2427 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees to collect the taxes, applicable interest, and personal property taxes. The Township, also has a fire tax levy that was voted in for 1.4339 mills.

I. Summary of significant accounting policies (Continued)

C. Measurement focus, basis of accounting and financial statement presentation (Continued)

The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *refuse collection fund* is used to account for the proceeds of proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *fire fund* is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Additionally, the government reports the following fund types:

The *Cemetery Fund* is used to account for burial fees and the sale of cemetery lots in the Wassa Cemetery. The expenditures are to maintain the cemetery property.

The Township reports the following fiduciary fund:

The *current tax collection fund* is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Township did not have any proprietary funds.

I. Summary of significant accounting policies (Continued)

C. Measurement focus, basis of accounting and financial statement presentation (Continued)

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The Township's cash is considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term interfund receivables/payable

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

3. Receivables and payables

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net assets or equity

4. Capital assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	25-50
Equipment	5-20

5. Compensated absences

The Township does not have a compensated absence policy.

6. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

7. Fund equity

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

II. Stewardship, compliance, and accountability (Continued)

A. Budgetary information (Continued)

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to April 1st.

B. Excess of expenditures over appropriations

For the year ended March 31, 2008, expenditures exceeded appropriations in the activities of the insurance/medical care insurance/pensions and assessor, (the legal level of budgetary control) of the general fund by \$842 and \$398, respectively. These overexpenditures were funded by the available fund balance in the general fund.

III. Detailed notes on all funds

A. Cash and investments

Deposits

The Township's policies regarding deposits of cash are discussed in Note 1. The table presented below is designed to disclose the level of custody credit risk assumed by the Township based upon how its deposits were insured or secured with collateral at March 31, 2008. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Township (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Township's name; or collateralized with no written or approved collateral agreement.

		<u>Custody Credit Risk</u>			
	<u>Total Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits	\$ 447	\$ 447	\$	\$	\$ 447
Savings	80,823	80,823			80,823
CD	<u>37,874</u>	<u>37,874</u>	<u></u>	<u></u>	<u>37,874</u>
Total	<u>\$119,144</u>	<u>\$119,144</u>	<u>\$</u>	<u>\$</u>	<u>\$119,144</u>

Investments

The Township did not have any investments.

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	<u>\$ 119,144</u>
Cash in bank:	
General fund-unrestricted	\$ 71,556
Refuse collection fund	12,344
Fire fund	30,673
Cemetery fund	1,685
Tax collection fund	<u>2,886</u>
Total	<u>\$ 119,144</u>

III. Detailed notes on all funds

B. Receivables

The Township is owed delinquent property taxes from the County of Houghton in the amount of \$2,825.

C. Capital assets

Capital asset activity for the year ended March 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land & improvements	\$ 5,500	\$	\$	\$ 5,500
Capital assets, being depreciated:				
Buildings & improvements:				
Fire station and Township hall	49,000			49,000
Equipment	89,903			89,903
Total capital assets being depreciated	138,903			138,903
Less accumulated depreciation for:				
Buildings & improvements:				
Fire station and Township hall	(24,500)	(980)		(25,480)
Equipment	(35,972)	(5,215)		(41,187)
Total accumulated depreciation	(60,472)	(6,195)		(66,667)
Total capital assets, being depreciated, net	78,431	(6,195)		72,236
Governmental activities capital assets, net	<u>\$ 83,931</u>	<u>\$ (6,195)</u>	<u>\$</u>	<u>\$ 77,736</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 1,287
Public safety	<u>4,908</u>
Total depreciation expense-governmental activities	<u>\$ 6,195</u>

III. Detailed notes on all funds (Continued)

D. Interfund receivables, payables, and transfers

Interfund transfers:

	<u>Transfer In:</u>		
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Gov't'l</u>
Transfer out:			<u>Total</u>
Fire fund	\$	\$ 12,345	\$ 12,345
Total transfers out	\$	\$ 12,345	\$ 12,345

The composition of interfund balances as of March 31, 2008, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Tax collection	\$ 2,886

E. Long-term debt

Notes Payable

The Township has borrowed funds to provide to provide funds for the acquisition of a fire truck. Notes payable issued for governmental activities and are recorded in the fire fund.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	2.1%	\$ -

Changes in long-term liabilities

Long-term liability activity for the year ended March 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:				
Notes payable:				
Fire Fund	\$ 12,054	\$ (12,054)	\$ -	\$ -

IV. Other information

A. Risk management

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation).

The Township has purchased commercial insurance for all risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

B. Pension plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employees annual salary to the plan. Pension expense for the fiscal year ended March 31, 2008 was \$1,892.

C. Building permits

The Township of Hancock does not issue building permits. Building permits are issued by the Count of Houghton.

Required Supplementary Information

Township of Hancock
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Tax revenues:				
Property taxes and related fees	\$ 25,245	\$ 25,245	\$ 21,972	\$ (3,273)
Intergovernmental revenue from state:				
State revenue sharing	25,800	25,800	28,071	2,271
Annual maintenance fee	700	700	762	62
Charges for services:				
Land division fees	200	200	100	(100)
Interest and rents:				
Interest earnings	560	560	1,463	903
Rents	150	150	120	(30)
Other revenue:				
All other refunds	<u>50</u>	<u>50</u>	<u>363</u>	<u>313</u>
Total revenues	<u>52,705</u>	<u>52,705</u>	<u>52,851</u>	<u>146</u>
EXPENDITURES				
Current:				
Legislative:				
Trustees	4,142	4,142	3,823	319
Attorney	200	200		200
Printing/ads	400	400	105	295
Bonds/memberships	250	300	268	32
Equipment	1,500	1,500	1,089	411
Insurance/medical care insurance/pensions	<u>6,575</u>	<u>6,575</u>	<u>7,417</u>	<u>(842)</u>
Total legislative	<u>13,067</u>	<u>13,117</u>	<u>12,702</u>	<u>415</u>

Township of Hancock
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2008
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
EXPENDITURES				
(CONTINUED):				
Current:				
General government:				
Supervisor:				
Personal services	5,921	5,921	5,465	456
Supplies	200	200	25	175
Other	500	500		500
Elections:				
Personal services		725	718	7
Ballots/supplies		525	512	13
Ads/miscellaneous		50	47	3
Assessor:				
Personal services	5,921	5,921	5,465	456
Supplies	400	400	316	84
Other	600	600	1,538	(938)
Clerk:				
Personal services	6,631	6,631	5,637	994
Supplies	150	400	116	284
Other	250	400	12	388
Board of review:				
Personal services	900	900	525	375
Supplies	100	100	24	76
Treasurer:				
Personal services	6,631	6,631	6,009	622
Summer tax collections	1,121	1,121		1,121
Supplies/postage	700	1,000	574	426
BS&A/Houghton County	2,000	2,000	865	1,135
Building & grounds:				
Personal services	900	900		900
Supplies	400	2,000	1,638	362
Insurance	6,000	6,000	4,986	1,014
Utilities	2,000	2,000	1,542	458
Other	1,000	1,000	350	650
Total general government	<u>42,325</u>	<u>45,925</u>	<u>36,364</u>	<u>9,561</u>

Township of Hancock
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2008
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES				
(CONTINUED)				
Current:				
Public works:				
Construction	10,000			
Other	<u>500</u>	<u>500</u>		<u>500</u>
Total public works	<u>10,500</u>	<u>500</u>		<u>500</u>
Other:				
Payroll taxes			<u>1,581</u>	<u>(1,581)</u>
Total expenditures	<u>65,892</u>	<u>59,542</u>	<u>50,647</u>	<u>8,895</u>
Net change in fund balance	(13,187)	(6,837)	2,204	9,041
Fund balance-beginning			<u>76,431</u>	<u>76,431</u>
Fund balance-ending	<u>\$(13,187)</u>	<u>\$(6,837)</u>	<u>\$ 78,635</u>	<u>\$ 85,472</u>

See notes to financial statements

Township of Hancock
Refuse Collection Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Special assessments	\$ 9,500	\$ 9,500	\$ 12,596	\$ 3,096
Interest earnings	<u>150</u>	<u>150</u>	<u>138</u>	<u>(12)</u>
Total revenues	<u>9,650</u>	<u>9,650</u>	<u>12,734</u>	<u>3,084</u>
EXPENDITURES				
Public works:				
Refuse collection	15,600	15,600	15,402	198
Other	<u>200</u>	<u>200</u>		<u>200</u>
Total expenditures	<u>15,800</u>	<u>15,800</u>	<u>15,402</u>	<u>398</u>
Net change in fund balance	(6,150)	(6,150)	(2,668)	3,482
Fund balance - beginning			<u>15,012</u>	<u>15,012</u>
Fund balance - ending	<u>\$ (6,150)</u>	<u>\$ (6,150)</u>	<u>\$ 12,344</u>	<u>\$ 18,494</u>

See notes to financial statements

Township of Hancock
Fire Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 21,000	\$ 21,000	\$ 21,666	\$ 666
Interest	350	350	336	(14)
Other			165	165
Total revenues	<u>21,350</u>	<u>21,350</u>	<u>22,167</u>	<u>817</u>
EXPENDITURES				
Public safety:				
Supplies	6,000	6,000	3,866	2,134
Other/repairs	2,500	1,100	1,246	(146)
Utilities	1,500	1,500	1,394	106
Fire insurance	<u>700</u>	<u>2,100</u>	<u>1,400</u>	<u>700</u>
Total expenditures	<u>10,700</u>	<u>10,700</u>	<u>7,906</u>	<u>2,794</u>
Excess (deficiency) of revenues over (under) expenditures	10,650	10,650	14,261	3,611
OTHER FINANCING				
SOURCES (USES)				
Transfers out:				
Debt service fund	<u>(7,000)</u>	<u>(12,000)</u>	<u>(12,345)</u>	<u>(345)</u>
Net change in fund balance	3,650	(1,350)	1,916	3,266
Fund balance - beginning			<u>9,614</u>	<u>9,614</u>
Fund balance - ending	<u>\$ 3,650</u>	<u>\$ (1,350)</u>	<u>\$ 11,530</u>	<u>\$ 12,880</u>

See notes to financial statements

Township of Hancock
Cemetery Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Burial fees	\$ 300	\$ 300	\$ 575	\$ 275
Interest	20	20	24	4
Lots sold	<u>400</u>	<u>400</u>	<u>1,075</u>	<u>675</u>
Total revenues	<u>720</u>	<u>720</u>	<u>1,674</u>	<u>954</u>
EXPENDITURES				
General government:				
Waasa Cemetery:				
Personal services	1,500	1,500	1,255	245
Supplies	600	600	266	334
Other	<u>3,900</u>	<u>3,900</u>		<u>3,900</u>
Total expenditures	<u>6,000</u>	<u>6,000</u>	<u>1,521</u>	<u>4,479</u>
Net change in fund balance	(5,280)	(5,280)	153	5,433
Fund balance - beginning			<u>1,533</u>	<u>1,533</u>
Fund balance - ending	<u>\$(5,280)</u>	<u>\$(5,280)</u>	<u>\$ 1,686</u>	<u>\$ 6,966</u>

See notes to financial statements

COMMENTS AND RECOMMENDATIONS

Barry E. Gaudette, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

731 South Garfield Avenue
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

Members of the Township Board
Township of Hancock
Hancock County, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

It was not necessary to make any comments or recommendations.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Township Board and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.

June 11, 2008